LIVESTOCK SERVICES REVOLVING FUND

FINANCIAL STATEMENTS

March 31, 2005

Provincial Auditor Saskatchewan

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SASKATCHEWAN

AUDITOR'S REPORT

To the Members of the Legislative Assembly of Saskatchewan

I have audited the balance sheet of the Livestock Services Revolving Fund as at March 31, 2005 and the statements of operations and accumulated operating surplus, and changes in accumulated net expenditure (recovery) for the year then ended. The Revolving Fund's management is responsible for preparing these financial statements for Treasury Board's approval. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Revolving Fund as at March 31, 2005 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Regina, Saskatchewan
July 7, 2005

Fred Wendel, CMA, CA
Provincial Auditor

Statement 1

LIVESTOCK SERVICES REVOLVING FUND
BALANCE SHEET
As at March 31

	2005	2004
ASSETS		
Current Assets:		
Accounts receivable (Note 10)	$ 406,789	$ 354,776
	$ 406,789	$ 354,776
LIABILITIES AND EQUITY		
Current Liabilities:		
Accounts payable and accrued liabilities	$ 240,090	$ 217,016
Unearned revenue	1,850	1,850
	241,940	218,866
Accumulated net expenditure (Statement 3)	6,371	63,703
Fund Equity:		
Accumulated operating surplus (Statement 2)	158,478	72,207
	$ 406,789	$ 354,776

(See accompanying notes to the financial statements)

LIVESTOCK SERVICES REVOLVING FUND
STATEMENT OF OPERATIONS AND ACCUMULATED OPERATING SURPLUS
For the Year Ended March 31

	Annual Budget 2004-05 (Note 6)	2005	2004
REVENUES			
Livestock inspection fees	$ 2,178,480	$ 2,953,399	$ 2,301,841
Less: Commissions	37,480	48,326	38,443
Net inspection fees	2,141,000	2,905,073	2,263,398
Registered livestock brands	157,500	137,825	175,600
Livestock dealer licences	39,500	42,800	42,800
Administration fees	30,000	30,000	30,000
Game farm inspection fees	40,000	17,366	22,423
Other revenue	1,000	5,430	724
Total Revenues	2,409,000	3,138,494	2,534,945
EXPENSES			
Salaries and benefits	2,269,675	2,386,499	2,167,030
Travel	312,850	376,089	308,413
Stationery	96,050	126,660	80,845
Telephone	79,860	63,187	64,656
Training and general consulting	11,200	14,564	27,000
Rental of office space and equipment	55,150	56,785	55,475
Bad debts	3,000	-	3,760
Other	16,880	13,919	12,614
Supplies and repairs	8,400	10,958	14,578
Amortization	900	-	1,980
Advertising and printing	3,900	-	-
Uniforms and dry cleaning	7,060	3,153	6,446
Computer supplies	25,400	409	830
Total Expenses	2,890,325	3,052,223	2,743,627
Net Income (Loss)	$ (481,325)	86,271	(208,682)
Accumulated operating surplus, beginning of year		72,207	280,889
Accumulated operating surplus, end of year (to Statement 1)		$ 158,478	$ 72,207

(See accompanying notes to the financial statements)

Statement 3

LIVESTOCK SERVICES REVOLVING FUND
STATEMENT OF CHANGES IN ACCUMULATED NET EXPENDITURE (RECOVERY)
For the Year Ended March 31

	2005	2004
Financing required for (provided by) operating activities:		
Net (income) loss from operations	$ (86,271)	$ 208,682
Items not affecting working capital -amortization	-	(1,980)
Net change in working capital items related to operations (Note 5)	28,939	108,657
Net (decrease) increase in net financing requirements	(57,332)	315,359
Accumulated net expenditure (recovery) beginning of year	63,703	(246,276)
Transfer of capital assets	-	(5,380)
Accumulated net expenditure, end of year (to Statement 1)	$ 6,371	$ 63,703

(See accompanying notes to the financial statements)

LIVESTOCK SERVICES REVOLVING FUND
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2005

1. Authority and Definition

The Livestock Services Revolving Fund was established in 1996 pursuant to Section 17.1 of *The Department of Agriculture, Food and Rural Revitalization Act* (Act). The purpose of the Revolving Fund is to operate the brand registration program, the livestock inspection program and the livestock dealer licensing program. The Revolving Fund provides administrative services to the Cattle Marketing Deductions Fund and the Horned Cattle Fund pursuant to subsection 17.1(4)(d) of the *Act*.

2. Significant Accounting Policies

The financial statements are prepared in accordance with Canadian generally accepted accounting principles. These financial statements do not present a cash flow statement because the required cash flow information is readily apparent from the Statement of Changes in Accumulated Net Expenditure (Recovery) and Note 5. The following accounting policies are considered significant.

a) Net Financing Requirements

The net financing requirements is the cash flow from/(to) the General Revenue Fund. It represents the total annual financing requirements resulting from net capital acquisitions, working capital changes, and net cash flows from operations.

b) Accumulated Net Expenditure (Recovery)

The accumulated net expenditure (recovery) of the Revolving Fund includes the following:

i) the net increase (decrease) in financing requirements for each fiscal year; and

ii) the book value of assets acquired or disposed of at no charge from/to another government agency.

c) Revenue

Inspection fees and commissions are recognized when the livestock are inspected prior to sale.

Registered livestock brands revenues are recognized when the brands are issued.

Livestock dealer licence revenues are recognized when the licences are issued.

Administration fees are recognized as revenue when the services have been provided.

Game farm inspection fees are recognized when the services outlined in the agreements between the Revolving Fund and the Department of Agriculture and Food are provided.

3. Authorized Financing

Subsection 17.1(12) of *The Department of Agriculture, Food and Rural Revitalization Act* provides for a maximum accumulated net expenditure, which may at any time be outstanding, to be set by Order of the Lieutenant Governor in Council. The established maximum accumulated net expenditure of the Revolving Fund is $1,500,000.

4. Accumulated Operating Surplus/Deficit

Treasury Board controls the operations of the Revolving Fund, in part by monitoring the amount of its accumulated operating surplus/deficit. If the amount falls above or below the limit specified by Treasury Board, management is responsible to present a plan to address the excess surplus/deficit for approval by Treasury Board. A plan may include, but is not limited to, payment of excess surpluses to, or requests for additional funding from, the General Revenue Fund. Treasury Board has specified the limit for the accumulated operating surplus/deficit as $1,000,000.

5. Net Change in Working Capital Items Related to Operations

	2005	2004
Increase in accounts receivable	$ 52,013	$ 46,813
(Increase) decrease in accounts payable and accrued liabilities	(23,074)	57,459
Decrease in unearned revenue	--	4,385
	$ 28,939	$ 108,657

6. Budget

Treasury Board approves the Revolving Fund's budget annually.

7. Related Party Transactions

These financial statements include transactions with related parties. The Revolving Fund is related to all Saskatchewan Crown agencies such as departments, corporations, agencies, boards and commissions under common control of the Government of Saskatchewan. Also, the Revolving Fund is related to non-Crown enterprises that the Government jointly controls or significantly influences.

Routine operating transactions with related parties are recorded at agreed upon rates and are settled on normal trade terms. The following table summarizes the routine related party transactions for the year:

	2005	2004
Financial statement category:		
Revenues	$ 47,366	$ 52,423
Expenses	226,656	215,112
Accounts payable and accrued liabilities	4,811	12,811
Accounts receivable	6,481	10,902

In accordance with established government policy, the Revolving Fund has not been charged with certain costs including occupancy, financing, use of tangible capital assets and certain administrative costs. These costs have been absorbed by the various departmental appropriations and therefore no provision for such costs is reflected in these statements. In addition, the Revolving Fund pays Provincial Sales Tax to the Department of Finance on all its taxable purchases. Taxes paid are recorded as part of the cost of these purchases.

Other transactions with related parties and amounts due to/from them are described separately in the financial statements and the notes thereto.

8. Amount Recorded in Public Accounts

The net (expense) recovery of the Revolving Fund reported in the Public Accounts is the net income (loss) of the Revolving Fund adjusted for the following differences in accounting policies and other adjustments between the Revolving Fund and the General Revenue Fund.

	2005	2004
Net income (loss)	$ 86,271	$ (208,682)
Decrease in net capital assets	--	7,360
Amounts not included in Public Accounts due to timing	(1,345)	104
Net recovery (expense) reported in the Public Accounts	$ 84,926	$ (201,218)

9. Financial Instruments

a) Significant terms and conditions

There are no significant terms and conditions related to financial instruments classified as current assets or current liabilities that affect the amount, timing, and certainty of future cash flows.

b) Credit risk

The Revolving Fund is exposed to credit risk from potential non-payment of accounts receivable. However, most of the receivables were collected shortly after year-end, reducing its credit risk.

c) Fair Value

Accounts receivable and accounts payable and accrued liabilities are non-interest bearing and are due or payable within the next year. Due to this short-term maturity, the carrying value of these financial instruments approximates fair value.

The fair value of the accumulated net expenditure/(recovery) has been omitted because it is not practicable to determine the fair value with sufficient reliability.

10. Accounts Receivable

Accounts receivable consists of balances totalling $433,252 (2004 – $386,160) less an allowance for bad debts of $26,463 (2004 - $31,384) for amounts owing to the Fund where collection is doubtful.